

Adams, Hope

From: Wessinger-Hill, JoAnne
Sent: Monday, July 26, 2021 11:26 AM
To: Hall, Roger; Grube-Lybarker, Carri; John J. Pringle, Jr.; Heather Smith; Heather Smith; Pittman, Jenny; fellerbe@robinsongray.com; fellerbe@robinsongray.com
Cc: PSC_Contact; Besley, Sharon
Subject: RE: Hearing Exhibit #7(Cross Examination Exhibit) -- DN 2020-263-E
Attachments: DEC DEP Hanson Cross Exhibit 6.PDF

Parties:

Attached is a copy of the Cross Examination Exhibit of Duke regarding Witness Hanson.

Jo Anne

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June 14, 2019

Via Email and Priority Mail

Ms. Carolyne Murff
Senior Vice President
Cherokee County Cogeneration Partners, LLC
1700 Broadway, 35th Floor
New York, NY 10019

Re: Cherokee County Cogeneration Partners, LLC ("Cherokee") letters dated April 30, 2019
- Request for Additional Information

Dear Ms. Murff:

Thank you for your request for additional information concerning the avoided cost calculations for DEC and DEP. Pursuant to Order No. 2016-349 of the South Carolina Public Service Commission ("PSC"), Duke Energy Carolinas ("DEC") and Duke Energy Progress ("DEP") offer ten (10) year PPAs for Qualifying Facilities ("QFs") eligible for either DEC's or DEP's standard offer tariff (2 MW or less). The avoided cost rates and methodology are approved by the PSC and included in the standard offer tariff. Pursuant to PURPA and Order No. 81-214, DEC and DEP negotiate PPAs with QFs larger than two (2) MW and files those PPAs with the PSC. Both DEC and DEP currently offer a five (5) year term for projects not eligible for the standard offer tariff, unless the project qualifies under the newly enacted House Bill 3659, which applies to small power producers and not cogenerators.

Avoided energy costs are determined by modeling the addition of a 100 MW no cost purchase (additional generation) in all hours to the utility's generation system. Peak and off-peak avoided energy costs are calculated using the production costing model results for a base case compared to a change case with the 100 MW no cost purchase included. The cost differences from the comparison for each respective on and off-peak period form the basis of the avoided cost values. On peak and off-peak periods are consistent with the applicable rate design used in the December 2018 SC standard-offer rate filing in Docket No. 1995-1192-E.

The rate design used in the SC standard rate offer for each utility reflects a 90%-100% allocation of annual avoided capacity cost to the winter season. This reflects the dominant

emphasis of winter peaking conditions on the need for future generation. The morning winter peak is the primary contributor to loss of load exposure, but the secondary evening peak also contributes to the need for available capacity – just to a lesser degree.

Lastly, the information you requested pertaining to DEP's market solicitation is considered confidential. Duke Energy appreciates Cherokee's participation in the market solicitation and we are disappointed that Cherokee's response was not competitive.

Please feel free to contact me at (727) 820-4500 if you have any further questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael T. Keen", with a long horizontal flourish extending to the right.

Michael T. Keen

Duke Energy

Business Development Manager